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Secretary Butz on Trade

Canada's Farm Outlook

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This week's cover:

Operators of Canadian farms like this one in Saskatchewan may see exports of some of their crops increase this year. See article starting on page 6 for Canadian agricultural outlook for 1972.

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U.S. Farm Goals:
And Full Share of

Agriculture Secretary Earl L. Butz names seven Administration initiatives to create an open trading world . . . and to maintain and enlarge the U.S. farmer's overseas markets:

- *Developing a market-oriented domestic farm program.*
- *Expanding trade with Eastern Europe and the Soviet Union.*
- *Working toward normal trade relations with Mainland China.*
- *Encouraging exports through new tax incentives.*
- *Eliminating unfair exchange rates.*
- *Working out better trade relations with the European Community.*
- *Keeping U.S. ports open so our exports can move.*

—Excerpts from speech given at Phoenix, Ariz., January 12, 1972.

Our trade objectives can be stated simply: We seek to expand U.S. farm exports to the maximum—to assure U.S. agriculture a full share of world market growth. I intend to fight for access to world markets for U.S. farmers. We also seek to join with other nations to reverse the unfavorable trends of the past decade—trends that encourage uneconomic production and discourage market growth. I intend to argue against that within this Government and at every international negotiation where this Department is represented.

I believe in trade, not only as an economist, but also as a believer in the American system, and as a partisan supporter of the American farmer.

In the year ahead, this nation and the other major trading nations of the world have a glowing opportunity to set the international community on a new course—toward a system in which the people of the world benefit fully from their growing expertise and ability to produce. This can happen only when each country has the general freedom to trade those commodities it is best able to supply. And it can happen only when people and governments understand that wealth comes from producing something. And producing something is the result of somebody working.

Either the world's trading nations will succeed shortly in

Expanded Exports

World Market Growth

setting new directions, and keep looking outward, or they may find themselves on a toboggan of declining world trade.

We are disturbed that in recent history, in 1962, the European Community began to merge the farm programs of its member countries into a Common Agricultural Policy that became inward looking. That development, though not the only protectionist influence in the world, can fairly be cited as a landmark in the modern trend toward regionalism, discrimination, and national self-sufficiency—all at the expense of an outward-looking, expansionist trade system. And at the expense of American farmers who can produce efficiently and competitively for world markets.

Now we move into 1972—after a decade of uncertainty in the shadows of the protectionist actions in Europe and elsewhere. The signs are all about us that the time is ripe for changes in the world trade system.

—The European Community is being enlarged.

—The world monetary system is undergoing major reforms.

—U.S. trade relations with the Soviet Union are being expanded along with efforts to open doors to Mainland China.

Each of these is a pressing issue; each is full of new opportunity. And each is important to the future of world trade, and to the future of American agriculture.

The entire U.S. agricultural plant is built on a scale that assumes major export sales. The grain-feed-livestock-poultry complex in this country—accounting for three-fourths of all gross farm income—is closely tied to world trade.

Look at soybeans: Without an export market for soybeans and soybean products, the crop we harvested last fall would carry us for 2 years. Half of that crop would become carryover, and we wouldn't need to plant **any** soybeans in 1972 —in fact, we couldn't afford to. Farmers would have to find another use for 45 million soybean acres. What would it be?

Consider grains: This year, we are seeking a set-aside of more than 50 million acres under the wheat and feedgrains programs—to strengthen prices and balance supplies. This is a large set-aside, and it is expensive. But it is necessary because of the combination in 1971 of larger plantings, light corn blight damage due to a record dry and cool August, and an extraordinary growing year. Yet without exports we would have to cut grain production by another 35 to 40 million acres—90 million acres in all—or suffer the consequences.

I want you to know that American agriculture is—and I will personally see that it continues to be—a major consideration in this Administration's foreign economic policy. Never before has the Government paid so much attention to the farmer's place in world trade policy. You are aware, I'm sure, that agriculture has had strong representation in high policy councils on trade:

—Farmers were well represented by agriculture witnesses at last year's Congressional hearings on trade and investment policy.

—Farmers had strong representation on a Presidential Commission that completed a major trade study last year.

—Farmers have had vigorous spokesmen on U.S. delegations to the GATT, the Organization for Economic Cooperation and Development, and the recent monetary conferences.

As a result, American agriculture's vital interests are better appreciated than ever before—in Congress, in this Administration, in foreign capitals, and among our own farmers and business people.

I would list seven initiatives of the President and this Administration that shape and make possible our effort to create an open trading world . . . and to maintain and expand the U.S. farmer's overseas markets.

1. To develop a market-oriented domestic farm program. The Agricultural Act of 1970 recognized exports as the major growth factor in U.S. agriculture. Congress, in its wisdom, gave strong bipartisan support to that legislation. It recognized that U.S. export commodities must be allowed to compete if American farmers are to win, and keep, their share of market growth. The 1970 Act, and the programs it authorized, were designed to accomplish this while protecting the farmer's income and giving him a degree of management freedom in farming that he hasn't had for a long time.

2. To expand trade with Eastern Europe and the USSR. The President's action last summer to lift the old 50-percent shipping requirement, and getting maritime unions to accept that change, led directly to the recent breakthrough in agricultural trade with the Soviet Union. It made U.S. farm products competitive in the Soviet Union. It led to a large commercial feedgrain sale to Russia in November. Now there is the real possibility of additional sales of grain, and soybeans as well, to the Soviets as they strive to increase production of livestock and poultry to give their people diets they are demanding.

When Minister of Agriculture Matskevich was in this country last month, he talked of increasing the animal protein level in the Russian diet by 25 percent. Even a more modest gain than that would require the Soviet Union to import feedgrains and soybeans or meal—and I told him that we are ready to sell. In the case of soybeans and meal, this country is the only large supplier and ready trader in the world market. That's not a bad spot to be in—and we got that way with an expansionist, market-oriented program for soybeans.

In addition to the recent purchase of U.S. grains, the Soviets also obtained a sizable shipment of U.S. cattle, following a buying mission to this country last summer. Also, they are planning two additional purchasing missions to the United States beginning this month. One will look at U.S. breeding cattle. The other will have more general objectives.

3. To work toward normal trade relations with Mainland China.

The President's decision to visit the People's Republic of China—on top of his action to end the 21-year embargo on nonstrategic trade—is a historic move toward more normal relations between the two peoples. As the President said, ". . . there can be no stable and enduring peace without the participation of the People's Republic of China and its 750 million people."

New relationships will have to come gradually. Nevertheless, the Chinese have in recent years been buyers of wheat; they also import considerable quantities of cotton. We expect that these buying patterns will extend through this decade. If we can remain the world's largest exporter of wheat and

Secretary Butz, at Western National Livestock Show in Denver, joins Kansas Wheat Queen to inspect entry from Ohio.

cotton, we can hope that in time we might be able to make some sales to the People's Republic of China.

4. To encourage exports through new tax incentives.

Congress has now passed the Administration's innovative program to assist export firms through Domestic International Sales Corporations (DISC). This program, which should be particularly attractive to smaller enterprises, provides a tax break to exporters who set up such corporations. The DISC would provide a tax advantage similar to that available through a foreign subsidiary—but without the expense of a foreign subsidiary.

The extent that farm exports benefit under this program will depend on the interest that agricultural firms take in the program, and how aggressively they make use of it. I would recommend that farmer cooperatives investigate the DISC program to see if they can use it to assist in developing markets overseas for their members.

5. To eliminate unfair exchange rates.

President Nixon last August announced a gold float and a 10-percent surcharge on imports. His action was directly responsible for the recent realinement of currencies. This is good for the country and it is good for farmers. The purpose was to get an adjustment that would increase the relative price of our imports and reduce the relative price of our exports. This will tend to reduce U.S. imports, expand exports, and bring improvement in this country's balance of trade.

For a long time, the official monetary exchange rates had been badly out of balance. They no longer reflected actual relative values; most major foreign currencies were undervalued in relation to the dollar. Currencies have now appreciated substantially in relation to the dollar, which should bring significant long-term benefits to U.S. exports.

6. To work out better trade relations with the European Community.

We are working hard to bring about better trade relations with the European Community as it enlarges. Trade negotiations are taking place now, as one outgrowth of the recent Washington monetary conference. Beyond that, we are looking toward a general negotiation, under a provision of the General Agreement on Tariffs and Trade (GATT).

That negotiation, probably this year, will consider existing tariff concessions and conform these concessions to the new situation that will exist in light of the enlargement of the EC. We will bring to this negotiation those rights which we have previously negotiated with the EC, the United Kingdom, and the other EC applicant countries—rights which we hope can be used to preserve our trading position. Article XXIV of GATT provides that duties and other trade regulations imposed by a customs union should be no more restrictive than those applied by the member countries prior to formation of the union. We intend to follow that through.

We believe that the goals of the EC can be accomplished in a way that does not burden the rest of the world with the cost of EC farm programs. There are ways to deal with the Community's farm problems, without interfering with the rights of other countries and without abandoning a world trading system that has been a long time in building.

7. To keep U.S. ports open so our farm products can move.

The Administration has used every legal means to keep U.S. ports open in the face of dock strikes that are extremely harmful to agriculture. The docks were closed down first on the west coast—then at east coast, Great Lakes, and gulf ports—right at harvesttime. The strike cut 10 cents a bushel from corn prices with a record harvest to move. The Administration pressed for Federal injunctions to keep the longshoremen at work. Now, with 80-day injunction periods ending or having ended, the future is uncertain.

I said in the beginning that our foreign trade goals are simple. But achieving those goals will involve many complex matters—many of them far from the farmer's usual daily concerns. But the stakes are high. They will require farm leadership to stay tuned to the national and international issues that involve so directly the farmer, the farm family, the family farm, and the farm community.

May I assure you that this Administration will be fighting by your side to give vigorous support to farming and the objectives of opportunity, human dignity, a strong community life, and a level of farm income that is fair and rewarding.

New Marketing Teams Formed

Increasing farm exports will be a major role of new marketing teams to be appointed soon, Secretary of Agriculture Earl L. Butz told delegates to the annual meeting of the National Council of Farm Cooperatives in Phoenix, Arizona, in mid-January.

To consist primarily of U.S. Department of Agriculture experts with some membership from land-grant colleges and other agricultural organizations, the teams will be formed on a commodity by commodity basis to study agricultural marketing problems and recommend improvements. The list of commodities to be studied will be announced soon. The teams will report to Secretary Butz by late summer.

Could affect U.S. trade

GATT Approves New 16-Country Preferential Trading Proposal

A proposal by 16 developing countries to grant each other tariff concessions not extended to other countries was approved by the 27th Plenary Session of the General Agreement on Tariffs and Trade (GATT). The session was held in Geneva late last year.

U.S. agricultural exports to the participating countries worth about $18.7 million in 1970 could be adversely affected by the action, with tobacco accounting for about half the total.

In addition, the way is open for expansion of the group. Other developing countries may join at any time, but they may not take advantage of the preferences until they have successfully completed bilateral negotiations with each of the countries offering concessions of interest to them.

The GATT session waived Article I by consensus, without U.S. support, to permit the 16 to apply the discriminatory tariff concessions, but instructed that it be done neither in a manner that would impede the reduction of tariffs on a Most Favored Nation (MFN) basis nor in a manner that would raise barriers to the trade of other GATT contracting parties.

The decision provides for consultations at the request of any contracting party that considers its GATT benefits are unduly impaired under the new arrangement, and also for annual and 5- and 10-year reviews. In addition, a special review may be requested by any contracting party not satisfied with the consultation procedure.

Fourteen of the 16 countries participating in the arrangement are GATT signatories. They are Brazil, Chile, Egypt, Greece, India, Israel, Korea, Pakistan, Peru, Spain, Tunisia, Turkey, Uruguay, and Yugoslavia. The other two countries, Mexico and the Philippine Republic, have not adhered to the GATT.

U.S. trade with the Philippines is governed by the Laurel-Langley Agreement, which expires in 1974. It grants the United States a 10-percent tariff preference in the Philippine market until December 31, 1973, and provides that during the life of the Agreement, U.S. imports into the Philippines shall not enter at a higher duty than like imports from other countries.

From the U.S. standpoint, the most important of the concessions offered by participating countries under the new arrangement to the other participants are the preferences granted on unmanufactured tobacco by Chile, Israel, and Uruguay, where U.S. exports totaled $5.5 million in 1970.

Six of the participating countries are among the world's top 10 tobacco exporters. These six are Turkey, Greece, India, Brazil, the Philippines, and Korea. Three more of the countries—Mexico, Yugoslavia, and Pakistan—have developed tobacco as an export commodity.

Concessions offered are duty reductions of 20 percent from the MFN rate by Chile and Israel (with a provision for automatic licensing in Israel) and a duty reduction of about 25 percent by Uruguay.

Concessions on rice granted by Greece and Turkey also could be significant, with 10 of the 16 countries being rice producers, including Greece. In 1970, the United States supplied Greece with $600,000 worth of milled rice.

The concessions granted are a reduction of 20 percent in the MFN rate by Greece and reduction of 5 percent by Turkey.

Concessions were granted on citrus fruits and on fruits and vegetables by countries to which the United States does not export and by the Philippines, to which it does export. At least until 1974, however, the United States should not be seriously disadvantaged in the Philippine market for these products.

The Philippines and Yugoslavia granted concessions on raw hides and skins, another important export item for the United States, but in neither case is the action expected to have much effect on U.S. exports.

No participating country currently supplies the Philippines, and the United States enjoys a slight preference margin over the other principal suppliers, Canada and Australia.

The Yugoslav concession of a 3-percent tariff preference affects U.S. exports valued at $4.5 million in 1970. However, since so much Yugoslav trade is state-controlled, U.S. bilateral arrangements with the country are likely to have more bearing on continued U.S. exports than is the minor tariff preference offered to potential competitors within the Group of 16.

—By BARBARA H. SHARKEY
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United States Signs Textile Agreements With East Asian Big Four Exporters

After nearly 3 years of effort and 2½ months of detailed negotiations (which followed the signing of Memorandums of Understanding in early October), the four major East Asian textile exporting nations have signed bilateral agreements with the United States which will limit their exports of wool and manmade fiber textiles.

In exchange for accepting these agreements, the United States increased the quota for cotton textiles for each country—Japan, Hong Kong, Taiwan, and South Korea—from 5 to 15 percent and provided some flexibility between the textile quota limitations on cotton and those on manmade fibers.

These agreements were precipitated by the accelerating growth of U.S. textile imports: in the first 11 months of 1971, imports of cotton, wool, and manmade fiber textiles were up almost 30 percent over the previous year.

Cotton textile imports were at the same level as in 1970—1.4 million square yards. Wool imports dropped considerably; however, manmade fiber textile imports rose 52 percent over the record levels of 1971.

The phenomenal growth rate of manmade fiber textiles is expected to slow as the new bilateral agreements take effect; however, increased quotas for cotton textiles could result in a new surge of cotton textile imports.

Canada's Agricultural Outlook Is Uncertain Although Optimistic

By EUGENE T. OLSON
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Despite uncertainty expressed about some 1972 agricultural prospects, Canadian Government officials stated at the 32d Agricultural Outlook Conference (held late last year in Ottawa) that many major Canadian commodities will receive better prices in 1972 than last year, though grain prices will be generally lower. They also expect exports of most commodities to be about the same as in 1971, or better.

The 1971 Outlook Conference was unique in that all of the provincial ministers of agriculture were concurrently meeting with Canadian Minister of Agriculture H.A. Olson on major farm policy matters.

In closing the Conference Minister Olson mentioned that he detected a mood of greater optimism for Canada's agriculture than was apparent in the last two annual seasons. He indicated that he was pleased with the bright spots in the outlook for beef, oilseeds, and dairy, but that a major task still confronting Canada's agriculture is to "match the production stream to consumption." He concluded by stressing that Canada must have an agricultural policy which increases net farm income to the producer.

Some of the main points presented at the Conference by Canadian Government officials about Canada's agricultural prospects follow:

Grains. The official Canadian outlook estimate indicates Canadian wheat exports in 1971–72 could reach or surpass the 1970–71 total of 435 million bushels. However, the Attaché's Office in Ottawa estimates that exports may surpass this figure and even reach 475 million to 500 million bushels.

In 1972, planting of about the same wheat acreage as last year would probably provide adequate production to meet Canada's export and domestic demands with only minimal changes in the country's stock level.

Barley exports in the 1971–72 crop year will likely exceed the record 1970–71 level, and domestic use is expected to remain about the same. There is likely to be a record carryover of about 300 million bushels of barley into the 1972–73 crop year.

The importance of oats as a feedgrain has declined with the rise of barley. There will probably be no increase in Canadian oats prices in the coming year in view of the heavy supplies of feedgrains available in North America.

About 7 million acres of oats—nearly the same as was planted last year—should be sufficient in 1972 to meet Canada's domestic and export demands.

Grain corn production in 1971 almost equaled that of a year earlier. While acreage was higher, yields were lower because of drought. Higher corn production is expected in 1972.

Rye exports this year probably will not match those of 1970–71 because of the better European crop. Domestic feeding of rye could also be less because of greater availability of barley. About 750,000 acres are expected to be seeded to rye in 1972.

Oilseeds. Rapeseed production in 1971 was up by 26.3 million bushels to 98.5 million bushels. Exports are expected to increase by about 8 million bushels, and domestic crushings by 2 million to a total of 9.4 million. To meet expected export requirements of 40 million bushels of low-erucic-acid rapeseed varieties in 1972 and from 10 million to 15 million for domestic use, plantings of 2.8 million acres will be needed, or 7 times the area planted to new varieties in 1971.

Canadian soybean acreage was up last year, but production was down because of drought. Canada will probably remain an importer of soybeans and soybean products, mainly from the United States, for at least the short-term future.

Canada's flaxseed exports this year could at least equal the 1970–71 total if a possible increase in meal use occurs in Europe.

Sunflowerseed acreage last year, though small, was nearly triple that of the previous year. Prices are relatively high and prospects good for the disposition of substantially increased production in 1972.

Livestock. Cattle numbers in both Canada and the United States reached an alltime high last year. Feeder cattle prices for late 1971 and early 1972 are expected to be above year-earlier levels. Fed cattle marketings in Canada will probably increase 3 to 5 percent in 1972, and prices are expected to average close to or slightly above last year's levels.

Hog gradings last year in Canada were expected to be substantially above the record set in 1944. Gradings in the first half of 1972 should average 5 percent below gradings in that period last year.

In view of large feedgrain supplies and the possibility of stronger hog prices in 1972, breedings early in the year may not be down greatly from those of 1971. These will determine marketings for the last half of the year.

Sheep and lamb numbers may level off in 1972 because of lower lamb and

wool prices last year. Per capita consumption of mutton and lamb declined in 1971 for the second year in a row.

Dairy and poultry. Canadian dairy prospects are generally good for 1972. Total milk production is expected to rise. Creamery butter stocks on January 1, 1972, were expected to be at their lowest level since 1968, and Cheddar cheese production was expected to level off. Output of other cheeses will continue to climb in 1972. Prices to producers will average close to 1971 levels.

Pork will probably provide less competition for poultry in the first 9 months of 1972 than was the case last year. Domestic consumption of broiler chickens could therefore increase during the January-September 1972 period.

Layer numbers will probably decline more than seasonally in early 1972 because of a decline of 17 percent in numbers of egg-type chicks in the first 9 months of 1971. Egg production is likely to decline from year-earlier levels between December 1971 and March 1972. Egg prices to producers will probably rise in the first half of 1972.

Near balance is expected in turkey marketings and consumption by spring 1972. Prices for both broilers and heavy turkeys should be higher by this summer.

Fruits and vegetables. The mid- to long-term outlook for Canadian apples is not optimistic. With Canadian and U.S. apple crops expected to be down about 1 percent in 1971, and the British and West European crops smaller, 1972 will see a small increase in imports, a drop in exports, and a larger proportion of the Canadian apple crop marketed as fresh fruit.

The amount of Canadian fruit processed continues to decline while the amount of canned fruit for domestic consumption is rising.

Sugar, tobacco. The 1972 sugar beet acreage will likely be similar to 1970 levels. World consumption will probably rise in 1971–72 and prices should be higher.

Sales of Canadian-produced cigarettes and cigars will probably increase in 1972. There may be an increase in the acreage and production of cigar tobacco in Quebec in 1972 in view of sharp increases in cigar consumption in Canada.

Farm income. Total farm cash receipts are forecast to be up $151 million to $4.31 billion for the 1971 calendar year. Projections are that they will slide slightly to $4.28 billion in 1972.

Farm operating expenses, forecast at $3.66 billion for 1971, are projected to rise to $3.77 billion in 1972.

Total net income for 1971, including inventory change, is forecast at $1.5 billion by Canadian spokesmen.

General economic outlook. The general optimism for the agricultural sector in 1972 is also reflected in forecasts of many of Canada's leading economists for the economy as a whole. Some project an increase in the real gross national product of 6.3 percent following the healthy 6.1 percent of 1971.

Three developments in the economy contributing most directly to this optimistic outlook include increased Government spending at all levels (forecast to grow over 14 percent in 1972); a strong cyclical boom in consumer spending; and substantial inventory rebuilding. All in all, it would appear that this augurs well for achieving Minister Olson's stated policy goal for Canada of increasing net farm income to the Canadian producer in 1972.

Above left, a Canadian farm at Manotick, Ontario, under a blanket of new snow. Above, this farm in Nova Scotia sells broiler chicks to area farmers.

Typhoons and Tungro Cause Philippines To Import More Rice

By E. WAYNE DENNEY
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PHILIPPINE SUPPLIES AND DISAPPEARANCE OF RICE

Year beginning July 1	Production	Beginning stock	Imports	Total supply	Exports	Consumption	Ending stock
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
1966	2,657	729	224	3,610	20	2,685	905
1967	2,960	905	174	4,039	121	3,095	823
1968	2,855	823	0	3,708	27	3,206	475
1969	3,396	475	0	3,871	0	3,328	543
1970[1] ...	3,468	543	20	4,031	0	3,530	501
1971[2] ...	3,360	501	440	4,301	0	3,635	666

[1] Preliminary. [2] Forecast by Foreign Agricultural Service.

Widely heralded high-yielding varieties (HYV) of rice introduced in the Philippine Republic in 1966–67 sent production skyrocketing to achieve self-sufficiency and even exports in 1968–69. Now, however, the country is again importing sizable quantities with the full extent of the current rice shortage still unknown. How did this remarkable reversal take place?

Rice is the most important food crop in the Philippines. In 1971, about 40 percent of the total arable land in the Philippines was planted in rice, and over 3.1 million hectares (7.7 million acres) were harvested. Rice production has increased rapidly during the last 4 years—from 2,657,000 metric tons (milled basis) in 1966–67 to 3,468,000 metric tons in 1970–71. Despite these dramatic increases, the Philippines is encountering difficulties in its attempt to be self-sufficient in rice production.

Traditionally, the Philippines imports large quantities of rice each year. In 1964–65, a record 513,000 metric tons were imported. But with the introduction of HYV's in 1966–67, import requirements were gradually reduced and rice self-sufficiency was temporarily achieved in 1968–69. In fact, net rice exports of 27,000 metric tons were recorded in that year.

The HYV's were credited with being the major reason behind the rapid expansion of the Philippine rice industry. Use of HYV's—which was minor in 1966–67—encompassed 50.3 percent of the rice area in 1970–71. Despite this rapid increase, lack of irrigated area is expected to limit further expansion of the HYV's.

Several causes have contributed to the current rice shortage in the Philippines. Severe typhoon damage during October and November of 1970 caused the 1970–71 rice crop to be reduced by an estimated 143,000 metric tons. Official 1970–71 production was 3,468,000 metric tons, a 2-percent increase over the previous year. Consumption increased at a faster rate, however, and stocks declined during the year. Rice prices rose rapidly toward the end of the crop year and the National Economic Council (NEC) initially authorized rice imports totaling 110,000 metric tons.

When these imports were contracted in April 1971, it was presumed that no more would be needed. The 1971–72 rice crop was expected to be sufficient to build up depleted stocks. But civil disturbances and tungro virus disease have caused the prospects for this year's rice crop to decline. The 1971–72 rice production is estimated at 3,360,000 metric tons, 3 percent below the 1970–71 total. (About 70 percent of the rice crop is normally harvested from July 1 through Dec. 31.) Losses from civil unrest were centered around the Mindanao area, but the extent to which this reduced the current rice crop has not been ascertained.

While the actual area infested by tungro exceeds 20,000 hectares, farmers have replanted some areas where the disease was discovered in the early stages of plant growth. Rice losses from tungro are currently estimated at 90,000 metric tons.

Tungro is prevalent throughout Asia and is transmitted by the rice leafhopper, *Nephotettix inpicticeps*. While tungro has never been a serious disease problem in the Philippines, it has seriously affected parts of East Pakistan and India.

It is believed that many Philippine farmers have been planting seeds from second, third, and fourth generations of new rice varieties, rather than using new seed each year, which makes plants even less resistant to tungro.

PHILIPPINE RICE AREA

Year beginning July 1	Total area	Area in high-yielding varieties	Share in high-yielding varieties
	1,000 hectares	*1,000 hectares*	*Percent*
1966 ..	3,096	83	2.7
1967 ..	3,081	702	22.8
1968 ..	3,332	1,352	40.6
1969 ..	3,113	1,354	43.5
1970 ..	3,113	1,565	50.3
1971 ..	3,100	—	—

Most of the HYV's used in the Philippines are not resistant to tungro. One newly developed rice variety, IR20, however, is moderately resistant to tungro and may gain in popularity if the disease persists.

The extent of the rice shortage in the Philippines is still unknown but the volume of import requirements indicates that it is substantial. The NEC has authorized imports totaling 460,000 metric tons since April 1971. The Rice and Corn Administration (RCA), which handles all imports of rice, has signed contracts for 459,520 metric tons for 1971–72 as follows: Thailand, 213,000; Burma, 96,520; Taiwan, 50,000; Japan, 20,000; Italy, 30,000; and Mainland China, 50,000.

All purchases have been for low-quality rice with prices averaging about US $80 per metric ton. Purchases from Thailand, Taiwan, and Japan were on a long-term credit basis. The RCA is re-

(*Continued on page 12*)

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	Jan. 26	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14 ..	1.99	0	[1] 2.08
USSR SKS-14	1.87	0	2.06
Australian FAQ	1.86	−3	1.89
U.S. No. 2 Dark Northern Spring:			
14 percent	1.92	0	2.10
15 percent	1.97	−2	2.13
U.S. No. 2 Hard Winter:			
13.5 percent	1.80	+1	1.99
No. 3 Hard Amber Durum..	1.82	0	2.03
Argentine	(2)	(2)	(2)
U.S. No. 2 Soft Red Winter..	(2)	(2)	1.93
Feedgrains:			
U.S. No. 3 Yellow corn	1.45	0	1.85
Argentine Plate corn	1.61	+2	1.88
U.S. No. 2 sorghum	1.49	−2	1.65
Argentine-Granifero sorghum	1.52	−2	1.61
U.S. No. 3 Feed barley	1.25	−1	1.56
Soybeans:			
U.S. No. 2 Yellow	3.44	+5	3.46
EC import levies:			
Wheat [3]	[4] 1.59	−1	1.42
Corn [5]	[4] 1.07	0	.64
Sorghum [5]	[4] .97	−2	.74

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

Argentina Withdraws Wheat Offers

According to trade reports, the Argentine Government has requested that the trade make no further export sales of wheat. Private forecasts of this year's wheat crop have declined to 5 million tons because hot weather and drought are causing lower yields than expected.

Western Europe Produces Record Grain Crop in 1971

Led by a marked improvement in yields, Western European grain output, including rice, totaled 132.3 million tons in 1971—a 14-percent gain over the previous year's and a 10-percent gain over the record 1969 crop of 120.4 million tons. Area planted in grain expanded less than 1 percent, to 42.0 million hectares (103.8 million acres), compared with the previous 2 years, when 41.7 million hectares were planted.

Barley output for 1971 increased 16 percent over 1970, up to 41.2 million tons; wheat increased by 16 percent, up to 50.1 million tons. France, West Germany, Spain, and the United Kingdom had notable increases in production.

TOBACCO

Greece Stimulates Oriental Tobacco for Export Sales

In order to stimulate production of oriental tobacco for export, the Greek Government has announced that it will provide larger subsidies for the purchase of cultivating and harvesting equipment for the 1972 crop. Also, to encourage larger units, a cultivation loan of 1,000 drachmas per stremma is available to units over 20 stremmas (2 acres). Such a loan is not available to smaller units.

Subsidies were provided for the 1971 crop, but those for the 1972 crop are even larger. These subsidies are differentiated by size of farm in order to encourage larger production units. For units over 20 stremmas, a 60-percent subsidy is provided toward the purchase price of transplanters, cultivators, fertilizer distributors, needling machines, and irrigation equipment. For units of 10 to 20 stremmas (1 to 2 acres), a 40-percent subsidy is provided for the purchase of these items.

These Government subsidies and loans will be made available only for export varieties of oriental tobacco, and will not be applicable either to domestic varieties for local manufacture or for burley production.

DAIRY AND POULTRY

Canada Changes Dairy Holdback Policy

On December 30, 1971, Canada's Agriculture Minister announced further changes in the holdback by the Canadian Dairy Commission (CDC) on payments to shippers of manufacturing milk and cream. These changes, reportedly, are designed to further improve returns to dairy producers.

On November 3, the CDC's rate of holdback on payments to shippers on deliveries within their quotas was reduced from 20 Can. cents to 10 cents per 100 pounds, retroactive to last April. According to the December 30 announcement, a producer in Provinces under market-sharing quotas may now exceed his market quota by 10 percent before the overquota holdback will take effect. This applies to Ontario, Quebec, and (since Dec. 1, 1971) Prince Edward Island, where the holdback is made from market payments to producers.

In other Provinces, the holdback is made from direct Federal subsidy payments, based on each producer's subsidy quota. If all Provinces were under market sharing quotas, the national total of the subsidy quotas would be about 70 percent of the total market sharing quotas. For this reason, there will be a larger allowance for overquota deliveries where the holdback is made from subsidy payments.

The adjustment will permit producers in Provinces not sharing quotas to exceed their subsidy quotas by 30 percent before the overquota rate of holdback will apply (i.e., in the Provinces of British Columbia, Alberta, Saskatchewan, Manitoba, New Brunswick, Nova Scotia, and Newfoundland).

According to the announcement, the changes apply to both manufacturing milk and cream. The Minister further stated that this represented a special arrangement for the dairy year ending March 31, 1972. Dairy producers should not interpret this as indicating that a similar arrangement will apply for the next dairy year, beginning April 1, 1972.

SUGAR AND TROPICAL PRODUCTS

Informal Sugar Rationing in India Holds Down Domestic Consumption

Effective January 1, 1972, the distribution of refined sugar, through a program of informal rationing, was reinstated in India. This effort is designed to check the rising price of sugar, which has been caused by demand exceeding supply. Under this program, consumers receive specified quantities of sugar at Rs.2.00 (26.66 U.S. cents) per kilogram in all parts of the country except New Delhi, where the price will be Rs.2.10 (27.99 U.S. cents) per kilogram.

The increase of Indian sugar prices is attributed to a forecasted decline in sugar production during the current season, which began October 1, 1971. This decline in output has been caused by a 7- to 10-percent reduction in the sugarcane crop and, furthermore, by a diversion of cane to the production of gur, an unrefined sugar, which has been receiving higher prices than refined sugar. The output of centrifugal sugar (raw value, including khandsari) in 1971–72 is currently forecast at 4.17 million tons compared with 4.62 million tons last year.

Consumption of refined sugar in 1970–71 was estimated at 3.7 million tons and is expected to exceed 4 million tons this season, reducing carryover stocks to a very low level. Nevertheless, the Indian sugar industry has assured the Government that it will meet export obligations to the preferential markets of the United States and the United Kingdom. Exports to other foreign markets will be heavily curtailed because of the tight internal supply situation.

Peru Harvested Record Sugar Crop in 1971

Peru had a record centrifugal sugar production in 1971 of 876,593 metric tons, up 11 percent from 1970. Favorable weather conditions and adequate irrigation water were the principal factors contributing to this increase. A slightly higher output of 880,000 tons is forecast for this year.

Domestic sugar consumption in 1971 is estimated at 430,000 tons and is expected to be about 2 percent higher this year. Peru met export commitments in 1971 and had carryover stocks of 70,000 tons. It should have no problem fulfilling this year's export requirements. According to a press report which was based on a study by CECOAAP (Central de Cooperativas Agrarias de Producción Azucareras del Perú, Ltda.), sugar production for 1980 is forecast at 990,000 tons.

FRUITS, NUTS, AND VEGETABLES

Turkish Dried Fruit Pack Will Be Smaller in 1971

Unfavorable weather conditions reduced 1971 Turkish dried fruit production. Rains during harvest and drying cut sultana raisin production to 110,000 short tons, 24 percent below the record 1971 crop of 145,000 tons but slightly above the 1965–69 average. Dried fig production totaled 55,000 tons, the same as 1970 and 6 percent above average.

Exports of raisins are forecast below those of the 1970–71 season, while dried fig exports will remain at approximately the same level. Raisin exports totaled 94,000 tons during 1970–71; dried fig exports amounted to 38,100 tons. West Germany, the United Kingdom, Italy, and the Netherlands are the major markets for Turkish raisins; France and West Germany, for dried figs; and the United Kingdom, the United States, and Canada, for fig paste.

TURKISH DRIED FRUIT PRODUCTION

Item	1968	1969	1970	1971 [1]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Raisins	114.0	99.0	145.0	110.0
Dried figs ...	49.6	53.0	55.0	55.0

[1] Revised.

SUPPLY AND DISTRIBUTION OF TURKISH RAISINS

Item	1968-69	1969-70	1970-71	1971-72 [1]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Beginning stocks (Sept. 1)	38.6	52.9	30.0	65.0
Production	114.0	99.0	145.0	110.0
Total supply	152.6	151.9	175.0	175.0
Exports	85.1	73.3	94.0	88.0
Domestic disappearance	14.6	14.1	16.0	16.0
Ending stocks (Aug. 31)	52.9	[2] 64.5	65.0	71.0
Total distribution	152.6	151.9	175.0	175.0

[1] Forecast. [2] Contains 34,500 tons produced before 1968 which were considered to have no commercial value.

Italy Removes Quarantine Ban On U.S. Grapefruit for 1972

The Italian Ministry of Agriculture will allow imports of U.S. grapefruit to Italy during calendar 1972, following the signing of an import permit on January 12.

Italy first lifted its quarantine on imports on U.S. grapefruit for a 6-month period from October 1970 through March 1971. The order was later extended to permit shipments for the remainder of 1971.

Although 1971 statistics are not yet complete, those for January-November show that U.S. exporters shipped 4.4 million pounds of grapefruit (worth $360,000) to Italy. Ship-

ments were below anticipated levels for several reasons: U.S. production was below expectations; the dock strike prevented shipments; U.S. demand increased; and sales to Japan increased following liberalization of citrus fruit imports on June 30, 1971.

Iranian Dried Fruit Pack 14 percent Below 1970

Iran reports a smaller 1971 dried fruit crop, totaling 368,400 short tons, 14 percent below 1970. Unfavorable weather reduced the apricot and raisin crops, which are now estimated at 4,400 tons and 55,000 tons, respectively. The date crop, in the off year of its alternate bearing cycle, is estimated at 309,000 tons. The quality of all dried fruits is reported good.

Forecasts for the 1971–72 season indicate smaller exports of apricots and dates and larger exports of raisins. Exports totaled 70,000 tons in 1970–71. Russia was the largest buyer of dried apricots and raisins, while Kuwait, the United Kingdom, and Somaliland were the principal markets for dates.

IRANIAN DRIED FRUIT PRODUCTION AND EXPORTS

Item	Production			Exports		
	1969	1970	1971 [1]	1969-70	1970-71	1971-72 [2]
	1,000 short tons	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*	*1,000 short tons*
Dates	320.0	342.0	309.0	41.6	44.0	22.0
Raisins ...	38.6	66.0	55.0	26.2	35.2	44.0
Apricots ..	8.0	13.2	4.4	7.6	11.0	4.0
Total ...	366.6	421.2	368.4	75.4	90.2	70.0

[1] Revised. [2] Estimated.

First Imports of U.S. Apples Arrive in New Zealand

U.S. apples entered New Zealand for the first time when the New Zealand Apple and Pear Marketing Board took delivery of nearly 20,000 cartons of U.S. apples in December.

New Zealand exempted apples from licensing control in July and removed quarantine restrictions (brown rot) for U.S. apples in September—thus clearing the way for December's shipment.

Although the Apple and Pear Board had originally requested apple imports of up to 45,000 cartons from both Canada and the United States, crop shortages limited shipments to only 22,400 cartons.

COTTON

Reports Say China Is Buying Mexican and Turkish Cotton

The tight world cotton situation and a sharp increase in prices for longer staple upland cotton from Mainland China's traditional cotton suppliers may have stimulated some shift in the pattern of China's cotton purchases this season.

Normally an annual importer of 250,000 to 400,000 bales of cotton (480 lb. net), with a recent 5-year average of about 350,000 bales imported, Mainland China's major cotton suppliers have been Pakistan (short staple), Syria (longer staple upland), and Egypt and Sudan (extra-long staple). Since 1968–69 an average of 46,000 bales has been imported annually from Tanzania (also longer staple upland).

Recent reports indicate that China may be increasing its cotton imports from Turkey this season and purchasing Mexican cotton for the first time in several years (based on an unconfirmed report from Mexico). China has already purchased about 20,000 bales of cotton from Turkey and is reported to be negotiating for the purchase of another 20,000 bales. During 1965–69 China bought only about 5,000 bales from Turkey annually.

According to an unconfirmed report, China may have purchased 13,000 bales of Mexican cotton also. Mexican prices for longer staple upland have risen less since August 1971 than prices of any other major exporter of this quality.

Turkish and Mexican quotations through December 2 were lower than most comparable quotations in international markets, except for Pakistani short staple upland. Pakistani shipments were delayed by Indo-Pakistani hostilities in recent weeks, however.

FATS, OILS, AND OILSEEDS

India's Cake and Meal Exports Decline Despite Record Production

India, the world's fourth largest exporter of high protein meals, is estimated to have exported the equivalent of 830,000 metric tons of soybean meal in 1971—down 4 percent (or 37,000 tons) from the 1970 level, but 112,000 tons above the 1969 total.

Exports in 1971 declined despite an estimated increase in meal production, which resulted from a larger crop of oilseeds harvested in 1970.

India's exports of meals (on a soybean meal basis) were at a record volume of 1.05 million tons in 1964. Though estimated meal production in 1971 increased to a record volume —substantially exceeding the 1964 volume—exports during the same period declined by 21 percent.

Crops and Markets Index

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Philippine Rice Crop (Continued from page 8)

tailing this imported rice for US$150 per metric ton, thereby generating profits to pay off some sizable RCA debts.

On December 13, 1971, the RCA requested authorization to import an additional 837,000 metric tons of rice before October 1, 1972. Negotiations for a 300,000-ton purchase from Thailand are being finalized with delivery being expected after February 1, 1972. Increased food requirements and the establishment of a 75-day buffer stock were reasons given.

If consumption requirements for rice in the Philippines remain at about 10,000 metric tons per day, rice already imported or scheduled for import, along with the output forecasted for 1971–72, should be sufficient to provide a 66-day buffer stock at the end of the current crop year.

There are several other possible explanations for the recent rice import request. One is that the RCA can reap further profits by purchasing rice for a low price and selling it for nearly twice as much. The substantial hoarding of rice by both domestic traders and consumers may also be a factor. Traders are holding rice in anticipation of further price rises. Consumers are fearful of a continuing rice shortage and want to purchase additional supplies in anticipation of further price increases.

The 1971–72 rice shortage may be overstated. However, rice prices remain high—averaging over US$220 per metric ton in recent months—which indicates that rice is still in short supply. The tungro virus disease is still spreading and could have a pronounced impact on the 1971–72 rice crop in the following months.

The high-yielding varieties may not be realizing their fullest potential in the Philippines. The tendency of farmers to use second, third, and fourth generation seeds not only makes the crop more susceptible to disease but results in reduced yields even if the crop does not become diseased.

Dutch and Danish Hams May Cost More

U.S. trade sources have reported that overseas suppliers of Danish and Dutch canned pork products—primarily canned hams and shoulders—may raise prices by more than 5 U.S. cents per pound. This action would reflect the recent devaluation of the dollar in relation to Dutch and Danish currency.

Certain U.S. importers of Danish and Dutch hams said that their suppliers had canceled shipping contracts for January delivery. In addition, the Dutch withdrew their price offer list.

No price increases are reported for Yugoslav, Hungarian, or Polish canned hams, and Yugoslav and Hungarian suppliers are said to be actively filling all orders.

In late December, Dutch regular and shankless canned hams were selling for 96–97 U.S. cents per pound, ex-warehouse, in New York. The "official" price of Danish canned hams, New York, was $1.02 per pound.

In 1970, Denmark and the Netherlands supplied about 75 percent of the 251 million pounds of canned hams and shoulders imported by the United States.

The Danish Meat Canning Factories Export Association sets minimum c.i.f. prices on canned hams and shoulders destined for the U.S. market. These prices are maintained slightly above the prevailing wholesale prices of U.S. canned hams and shoulders.

The Netherlands, as a member of the European Community, maintains an export subsidy on canned hams and shoulders. Currently, the subsidy is 16.8 U.S. cents per pound.

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